

ANALYSIS OF HOUSE BILL 1483

Making modifications to the nursing facility payment system.

SPONSORS: Representative Sedy and Parlette.

WHAT THE BILL DOES

- 1) Changes the way in which economic trends are adjusted for recognizing costs by requiring the use of the Health Care Financing Administration (HCFA) index. (This is referred to as the HCFA basket.)
- 2) The ceiling for home office costs is eliminated.
- 3) Therapy costs are removed from the daily rate and are set up on a fee system administered by the Medical Assistance Administration within the DSHS.
- 4) The DSHS is given authority for establishing exceptional rates for residents needing specialized care.
- 5) Establishes a new rate component called the tax component - allowing facilities to pay taxes to recoup these funds (such as B&O for the for-profit facilities).
- 6) Carries forward three-year rebasing beyond its current 2001 expiration date.
- 7) Requires that the DSHS pay back to the nursing facilities when the budget dialysis is erroneously implemented.

BACKGROUND:

Nursing Homes: There are 269 Medicaid-certified facilities in 37 counties providing care to approximately 4,500 Medicaid clients. The state plays two major roles with regard to nursing homes: the regulator and service purchaser. The state purchases through Medicaid about two-thirds of all nursing home care delivered in the state. As of 10/98, yearly costs per person for nursing home care was \$41,880 at an average daily rate of \$114.74.

Nursing Home Rate Setting - The Current Payment System: The Washington state nursing home rate refers to the Medicaid payment made to a nursing facility operator to care for one person for one day. The Washington nursing home payment system may be characterized as prospective, cost-based, and facility-specific. This means that each facility receives its own rate of payment, which is unique to that facility and based upon that facility's allowable costs and case mix.

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(facility specific).

Multiple Components to the Rate-The rates paid on nursing facilities are based on six different components. These components include direct care, operations, support services, therapy care, property, and the return on investment which consists of two parts- financing allowance and variable return. Each individual facility paid the lower of the actual cost of providing component of care, or they are paid up to the ceiling for that component. The following is a description of the component rate setting system: